What is digital trade?

Digital trade is trade in goods or services enabled by electronic means. A large and increasing share of trade is digital. It covers:

- Purely digital transactions
- Transactions of which a single element is digital, for example buying a book from website that is then delivered by post.

How important are the digital economy and digital trade?

Data is the lifeline of many companies across all sectors of the economy, including in ‘physical’ sectors such as manufacturing and agriculture. For example:

- Agricultural companies trade commodities online
- Machine manufacturers improve the maintenance and performance of their machines using sensors that automatically transmit technical data globally.

Over 60% of global GDP is digital. In 2018, global online sales of physical products alone reached over €21 trillion. E-commerce transactions have grown sharply during the COVID-19 pandemic.

According to the OECD, a 10% increase in “bilateral digital connectivity” raises goods trade by nearly 2% and trade in services by over 3%. Furthermore, while digitalisation is important for all sectors, it is most important for exports in more sophisticated manufactures and digitally deliverable services.

Perhaps the biggest sector engaged in cross-border electronic sales is the publishing motion picture, video, TV, sound and music sector. This is amply illustrated in the case of Swedish firm Spotify, whose premium subscribers increased worldwide by 27% between the third quarters of 2019 (113 million) and 2020 (144 million). Their subscriber base more than doubled since early 2017. Likewise, between January and the end of September 2020.

The EU is the world’s largest exporter of services; 48% of them (excluding investment) are digital.
WHY SHOULD OUR TRADE POLICY DEAL WITH DIGITAL TRADE?

The EU’s share of the digital economy and digital trade has potential to grow even further, compared to key trading partners such as the US and Japan, but governments around the world are increasingly imposing measures that hinder digital trade and the transfer of data. Very often, the aim of these measures is to boost national digital competitiveness in a discriminatory way. They often unduly restrict cross-border transfer of data, such as obligations to store data on servers located in a given country.

HOW WILL EU TRADE POLICY PREVENT UNNECESSARY OBSTACLES TO DIGITAL TRADE?

Several of the EU’s bilateral trade agreements already include binding commitments to prevent major unjustified obstacles to digital trade. The EU also wants to see global rules agreed in the World Trade Organization. Global rules would have to:

- Ensure cross-border data flows
- Prohibit unjustified data localisation requirements, in line with the EU’s legal framework on personal data protection.

The EU will step up its efforts to promote digital trade bilaterally by:

- Including binding rules in bilateral trade agreements
- Regulatory dialogues with key partners to promote the EU’s digital standards and regulatory approach in the digital sphere.

WHAT WILL HAPPEN TO OUR RIGHT TO REGULATE AND THE RIGHT TO PERSONAL DATA PROTECTION?

- The EU will always maintain its right to regulate to pursue public policy objectives and to continue to develop its regulation of the digital economy
- EU trade policy will ensure that data flows comply with EU data protection rules
- It will only tackle barriers that are not justified by a public policy objective